

RECEIVED

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

JUN 23 1993

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of	)	
	)	
National Exchange Carrier	)	CC Docket No. <u>93-123</u>
Association, Inc.	)	
	)	
Revisions to Tariff F.C.C. No. 5	)	Transmittal Nos. 518,
	)	527, 530
Universal Service Fund and	)	
Lifeline Assistance Rates	)	

## COMMENTS ON DIRECT CASE

The National Telephone Cooperative Association ("NTCA") submits these Comments pursuant to the Order Designating Issues for Investigation, DA 93-476, released by the Common Carrier Bureau on April 23, 1993, in the proceeding captioned above ("Order"). By this Order, the Bureau is investigating the mechanics used to reflect what is referred to as the Universal Service Fund ("USF") "resizing."<sup>1</sup> With these Comments, NTCA supports the Direct Case filed by the National Exchange Carrier Association ("NECA") on May 26, 1993, in this proceeding ("Direct Case").<sup>2</sup> The Bureau should not require NECA to make any changes in its resizing methods because the approach it currently uses is both reasonable and consistent with the USF policy embodied in the rules.

<sup>1</sup> Order at para. 2.

<sup>2</sup> NTCA concurs totally in the arguments made by NECA in its Direct Case, and as such, will not burden the record with lengthy repetitive comments. However, should opposition comments warrant a reply to assure that the record in this non-restricted notice and comment proceeding is more complete, NTCA reserves the right to file substantive reply comments no later than July 7, 1993, at the same time as NECA files its rebuttal. See Order, at paras. 7, 9, and 10.

No. of Copies rec'd 0+7  
List A B C D E

NTCA is a national association of approximately 500 small and rural LECs providing telecommunications services to interexchange carriers and subscribers throughout rural America. Many of NTCA's member LECs serve areas characterized by sparse population leading to high non-traffic sensitive costs. The USF is vital for these LECs to maintain reasonable rate levels for basic telecommunications service. NECA's Direct Case provides compelling arguments in favor of the methods it has used for USF administration as both reasonable and consistent with the rules. Therefore, NTCA urges the Bureau, as a result of this investigation, not to make changes in the mechanics that would penalize the telcos most dependent on the USF assistance.

NECA's Direct Case explains the operation of the Commission's Rules with respect to optional quarterly updates in LECs' loop costs.<sup>3</sup> These procedures were purposefully enacted in a way that changes by one LEC in its loop costs would not affect other LECs which do not otherwise opt to update loop cost information on a quarterly basis. The whole design of the USF makes the payments LECs receive from the USF virtually insulated from unexpected changes.<sup>4</sup> This relatively risk-free form of loop cost assistance was meant to make the USF payments to individual LECs a secure source of revenues to support their high

---

<sup>3</sup> Direct Case at 7.

<sup>4</sup> Calculation of the expense adjustments is based on historical, known data. At the beginning of each payment period, a LEC will know exactly what its monthly assistance amounts will be. The quarterly updates do not affect LECs that do not opt to revise their data.

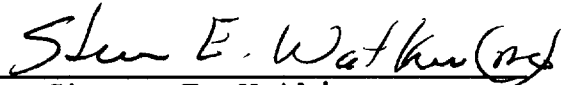
costs. The USF cannot effectively contribute to Universal Service unless LECs are confident that they will actually receive the calculated and expected payments.<sup>5</sup>

NECA must reflect changes in historical loop cost data for USF purposes for a variety of reasons beyond the recognized optional quarterly update changes.<sup>6</sup> In the overall scheme of the USF, the potential effect of these changes are relatively small. The mechanics that NECA has employed to reflect these changes uses the same approach as the methods prescribed for the normal quarterly updates. The rationale for this approach is obvious. The rules were designed to make payments secure to individual high cost companies so as to insulate the payments from unexpected changes by other LECs. Therefore, the same

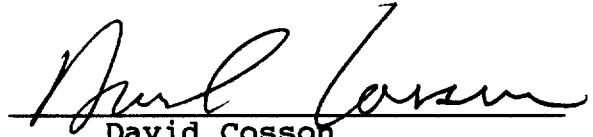
For the reasons provided above and in NECA's Direct Case, the Bureau should confirm that NECA has employed methods that preserve the policy intent of the USF rules. As such, no changes are necessary in the methods leading to the calculation of the national average cost per loop or payments to LECs that should not have their payments adversely affected by extraneous events.

Respectfully submitted,

National Telephone Cooperative  
Association



Steven E. Watkins  
Sr. Industry Specialist  
(202) 298-2333



David Cosson  
(202) 298-2326

Its Attorney

2626 Pennsylvania Avenue, N.W.  
Washington, D.C. 20037

June 23, 1993

CERTIFICATE OF SERVICE

I, Rita H. Bolden, certify that a copy of the foregoing Comments of the National Telephone Cooperative Association in CC Docket No. 93-123, Transmittal Nos. 518, 527, 530 was served on this 23rd day of June 1993, by first-class, U.S. Mail, postage prepaid, to the following persons on the attached list.

Rita H. Bolden  
Rita H. Bolden

Rick Askoff, Esq.  
Ms. Lisa L. Leibow  
National Exchange Carrier  
Association, Inc.  
100 South Jefferson Road  
Whippany, New Jersey 07981

Ms. Mary L. Brown, Deputy Chief  
Tariff Division  
Federal Communications Commission  
1919 M Street, N.W., Room 518-1600C  
Washington, D.C. 20554

International Transcription Service  
2100 M Street, N.W.  
Suite 140  
Washington, D.C. 20037

Chairman James H. Quello  
Federal Communications Commission  
1919 M Street, N.W., Room 802-0106  
Washington, D.C. 20554

Commissioner Andrew C. Barrett  
Federal Communications Commission  
1919 M Street, N.W., Room 826-0103  
Washington, D.C. 20554

Commissioner Ervin S. Duggan  
Federal Communications Commission  
1919 M Street, N.W., Room 832-0104  
Washington, D.C. 20554

Mr. Kent Nilsson  
Common Carrier Bureau  
Federal Communications Commission  
1919 M Street, N.W., Room 544-1600G  
Washington, D.C. 20554

Downtown Copy Center  
1114 21st Street, N.W.  
Suite 140  
Washington, D.C. 20036